

Message Text

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PAGE 01 BRUSSE 12800 300520Z
ACTION EUR-12

INFO OCT-01 EA-12 ISO-00 AGR-01 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-01 INR-10 IO-14 NEA-11 NSAE-00
ICA-20 OPIC-06 SP-02 TRSE-00 LAB-04 SIL-01 OMB-01
SS-15 L-03 DOTE-00 FMC-02 /130 W
-----100074 010655Z/16

R 291741Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7568
INFO ALL EC CAPITALS
AMEMBASSY TOKYO

UNCLAS BRUSSELS 12800

USEEC

PARIS ALSO FOR USOECD

E.O. 11652: N/A
TAGS: EEC, EIND
SUBJ: EC FOREIGN MINISTERS COUNCIL, JUNE 26-27:
SHIPBUILDING

REF: 77 BRUSSELS 15772

1. SUMMARY: THE JUNE 26-27 EC FOREIGN MINISTERS COUNCIL HELD ITS INITIAL DEBATE ON THE EC COMMISSION'S PROPOSAL FOR A PROGRAM TO DEAL WITH THE CRISIS IN THE COMMUNITY'S SHIPBUILDING SECTOR (REFTEL) BUT TOOK NO DECISIONS. DISCUSSION DID CONFIRM, HOWEVER, THAT EVEN THOUGH MOST MEMBER STATES SUPPORT THE NEED FOR COMMUNITY ACTION IN THIS SECTOR, STRONG DIFFERENCES OF OPINION EXIST OVER SPECIFIC MEASURES TO BE ENACTED. THE UK WAS PARTICULARLY SKEPTICAL OF THE COMMISSION'S PROPOSALS CONCERNING A ROLE FOR MARKET FORECASTING IN RESTRUCTURING AND THE CREATION OF A SPECIAL EC COMMITTEE TO DISCUSS PROBLEMS IN THE SHIPBUILDING

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SECTOR. DISCUSSION IS TO RESUME AT THE JULY 25 COUNCIL SESSION. END SUMMARY.

2. ACCORDING TO A COMMISSION SPOKESMAN, MOST MEMBER STATES SUPPORTED THE COMMISSION'S CALL FOR COMMUNITY ACTION TO ALLEVIATE THE SHIPBUILDING SECTOR CRISIS. HOWEVER, THE UK WAS MOST VOCAL IN EXPRESSING CONCERN THAT

SUCH A POLICY SHOULD IN NO WAY PREJUDICE NATIONAL EFFORTS. THE UK SPECIFICALLY QUESTIONED THE COMMISSION PROPOSALS FOR REDUCING COMMUNITY SHIPBUILDING CAPACITY, ASSERTING THAT THESE HAD BEEN BASED ON UNRELIABLE FIGURES. THE SPOKESMAN SAID THAT THE NETHERLANDS AND ITALY WERE THE STRONGEST ADVOCATES OF A COMMON EC SHIPBUILDING POLICY, BOTH WITH RESPECT TO RESTRUCTURING AND IN THE CONTEXT OF INTERNATIONAL DISCUSSIONS WITH OTHER SHIPBUILDING STATES. THE NETHERLANDS ALSO WARNED THAT, ALTHOUGH JAPAN HAS MADE SIGNIFICANT EFFORTS TO REDUCE ITS OWN CAPACITY, THE GOJ MAY NOT BE ABLE TO RESIST STRONG INTERNAL PRESSURE TO EXPAND CAPACITY SHOULD THE EC TAKE NO ACTION OF ITS OWN. THE SPOKESMAN SAID THE ITALIANS INSISTED THAT, WHILE THE EC SHOULD NOT LOSE SIGHT OF ITS MILITARY SHIPBUILDING NEEDS, IT SHOULD NONETHELESS BEGIN SERIOUS DISCUSSION OF WHAT ITS OVERALL CAPACITY SHOULD BE, PARTICULARLY IN COMPARISON WITH JAPAN AND LDC STATES.

3. UK MINISTER OF STATE JUDD TOLD REPORTERS AFTER THE MEETING THAT HMG FEELS THE COMMISSION PROPOSALS PLACE UNDUE EMPHASIS ON FORWARD ANALYSIS BASED ON MARKET FORCES, WHICH HE TERMED TOO CYCLICAL TO BE OF ANY VALUE. HE SAID THAT THE EC SHOULD INSTEAD TAKE GREATER ACCOUNT OF THE STATE OF ORDER BOOKS. JUDD POINTED OUT THAT THERE HAS BEEN A SIGNIFICANT DEGREE OF CAPACITY REDUCTION IN THE UK IN RECENT YEARS (30 PERCENT SINCE 1974), AT CONSIDERABLE UNCLASSIFIED

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SOCIAL COST, WITH 10,000 JOBS LOST IN THE UK SHIPBUILDING INDUSTRY DURING THE LAST 6 TO 8 MONTHS. HE SAID THAT THE UK IS DUBIOUS THAT THE COMMISSION PROPOSALS WOULD HAVE ANY IMMEDIATE EFFECT ON THE LEVEL OF SHIPBUILDING, AND POINTED OUT THAT THEY DO NOT DEAL WITH THE COMPETITIVENESS OF THE EC INDUSTRY. HE ADDED THAT THE UK FEELS MANY OF THE MEASURES PROPOSED BY THE COMMISSION SHOULD BE APPROACHED ON THEIR OWN MERITS IN THE CONTEXT OF MUCH WIDER ORGANIZATIONS, SUCH AS IMCO. HE SAID THAT THE UK IS PARTICULARLY SKEPTICAL OF THE NEED TO ACCEPT THE COMMISSION'S PROPOSAL FOR THE CREATION OF A HIGH-LEVEL EC SHIPBUILDING COMMITTEE AND THAT HMG IS NOT CONVINCED THAT ALL THE NECESSARY MACHINERY FOR CONSULTATION DOES NOT ALREADY EXIST.

4. THE COMMISSION SPOKESMAN TOLD REPORTERS THAT COMMISSIONER DAVIGNON DEFENDED HIS PROPOSALS AGAINST UK QUESTIONING BY EMPHASIZING THAT THE COMMISSION HAS PROOF OF THE BAD STATE OF THE EC SHIPBUILDING SECTOR, IN THAT MEMBER STATE AIDS TO THE INDUSTRY NOW TOTAL BETWEEN 500 AND 600 MILLION UNITS OF ACCOUNT PER ANNUM (ONE U.A. CURRENTLY EQUALS ABOUT \$1.24). ACCORDING TO THE SPOKESMAN, DAVIGNON ALSO EXPRESSED DISAPPOINTMENT AT THE UK ATTITUDE, ADDING

THAT THE COMMISSION HAD HOPED FOR A MORE CONSTRUCTIVE UK
CONTRIBUTION TO DEBATE. HINTON

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN MINISTERS MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 jun 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE12800
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780272-0165
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978069/aaaaahfj.tel
Line Count: 118
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 01c5e390-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 BRUSSELS 15772
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2467981
Secure: OPEN
Status: NATIVE
Subject: EC FOREIGN MINISTERS COUNCIL, JUNE 26-27: SHIPBUILDING
TAGS: EIND, BE, EEC
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/01c5e390-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014